

December 4, 2003

Rick Olsen, General Manager
Canyon Fuel Company / Dugout Canyon Mine
P.O. Box 1029
Wellington, UT 84542

Re: Disturbed Acreage Updates, Chapter 1 MRP Information, Canyon Fuel Company, LLC., Dugout Canyon Mine, C/007/039, Task ID #1748 (G-3) and #1758 (G-2), Outgoing File

Dear Mr. Olsen:

The above-referenced amendment has been reviewed. There are deficiencies that must be adequately addressed prior to approval. A copy of our Technical Analysis is enclosed for your information. In order for us to continue to process your application, please respond to these deficiencies by December 15, 2003.

It should be noted that both of the technical analyses contain the same deficiency; therefore, it will only be necessary for Canyon Fuel Company to respond once. However, the response should reference that the document is to address the deficiency noted in both Task ID #1748 and #1758.

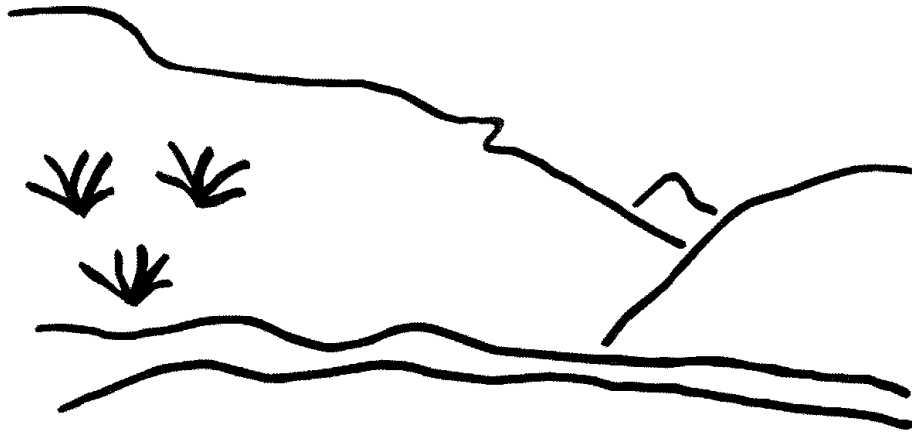
If you have any questions, please call me at (801) 538-5268 or Peter Hess at (435) 613-5622.

Sincerely,

Pamela Grubaugh-Littig
Permit Supervisor

PHH/sd
Enclosure
cc: Price Field Office
O:\007039.DUG\FINAL\DEF1748&1758.DOC

State of Utah



Utah Oil Gas and Mining

Coal Regulatory Program

Dugout Canyon Mine
Disturbed Acreage Update
Chapter 1 MRP Information
C/007/039
Task ID #1748
Technical Analysis
December 3, 2003

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TECHNICAL ANALYSIS

TECHNICAL ANALYSIS

The Division regulates the Surface Mining Control and Reclamation Act of 1977 (SMCRA). When mines submit a Permit Application Package or an amendment to their Mining and Reclamation Plan, the Division reviews the proposal for conformance to the R645-Coal Mining Rules. This Technical Analysis is such a review. Regardless of these analyses, the permittee must comply with the minimum regulatory requirements as established by SMCRA.

Readers of this document must be aware that the regulatory requirements are included by reference. A complete and current copy of these regulations and a copy of the Technical Analysis and Findings Review Guide can be found at <http://ogm.utah.gov/coal>

This Technical Analysis (TA) is written as part of the permit review process. It documents the Findings that the Division has made to date regarding the application for a permit and is the basis for permitting decisions with regard to the application. The TA is broken down into logical section headings which comprise the necessary components of an application. Each section is analyzed and specific findings are then provided which indicate whether or not the application is in compliance with the requirements.

Often the first technical review of an application finds that the application contains some deficiencies. The deficiencies are discussed in the body of the TA and are identified by a regulatory reference which describes the minimum requirements. In this Technical Analysis we have summarized the deficiencies at the beginning of the document to aid in responding to them. Once all of the deficiencies have been adequately addressed, the TA will be considered final for the permitting action.

It may be that not every topic or regulatory requirement is discussed in this version of the TA. Generally only those sections are analyzed that pertain to a particular permitting action. TA's may have been completed previously and the revised information has not altered the original findings. Those sections that are not discussed in this document are generally considered to be in compliance.

INTRODUCTION

INTRODUCTION

The permittee submitted a revision to page 1-25 of the Chapter 1, Legal and Financial Information of the mining and reclamation plan for the Dugout Canyon Mine on October 3, 2003. The purpose of the revision is to update and include, as a part of the disturbed area acreage, the disturbance created by the drilling of the degasification well G-3. Degas well G-3 and wells G-2 and G-1 were approved/incorporated into the MRP by the Division on September 19, 2003. The revision involves the addition of 0.97 acres to the disturbed area acreage for the mine.

INTRODUCTION

SUMMARY OF DEFICIENCIES

SUMMARY OF DEFICIENCIES

The Technical analysis of the proposed permit changes cannot be completed at this time. Additional information is requested of the permittee to address deficiencies in the proposal. A summary of deficiencies is provided below. Additional comments and concerns may also be found within the analysis and findings made in this Draft Technical Analysis. Upon finalization of this review, any deficiencies will be evaluated for compliance with the regulatory requirements. Such deficiencies may be conditioned to the requirements of the permit issued by the division, result in denial of the proposed permit changes, or may result in other executive or enforcement action and deemed necessary by the Division at that time to achieve compliance with the Utah Coal Regulatory Program.

Accordingly, the permittee must address those deficiencies as found within this Draft Technical Analysis and provide the following, prior to approval, in accordance with the requirements of:

Regulations

R645-301-512.120, The information provided within the Dugout Canyon Mine mining and reclamation plan is inadequate in that it does not contain a clear legal description of the disturbances associated with the main facilities area or the pipe line/ leach field area. That information must be provided such that the Division can update **EXHIBIT "A"** of the reclamation agreement. 10

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SUMMARY OF DEFICIENCIES

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GENERAL CONTENTS

RIGHT OF ENTRY

Regulatory Reference: 30 CFR 778.15; R645-301-114

Analysis:

The permittee submitted revised information on October 3, 2003 to update the disturbed area acreage for the mine by adding the 0.97 acres that were disturbed by the development of degasification well G-3. Thus, the disturbed area of the mine has been increased by 0.97 acres to 49.9 acres, (previous disturbance was 48.9 acres). The revision/additional acreage is discussed on page 1-25 of Chapter 1, Legal and Financial Information, section **114 Right-of-Entry Information**, which starts on page 1-21.

The additional 0.97 acres is the amount which was permitted to be disturbed, as indicated in **TABLE 1-2, Disturbed Acres by Well Site**, section **114, Right-of Entry Information**, page 1-5 of the submittal to permit the three degasification wells, **TASK ID #1642**.

Findings:

The proposed revision meets the minimum regulatory requirements of this section.

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OPERATION PLAN

OPERATION PLAN

MAPS, PLANS, AND CROSS SECTIONS OF MINING OPERATIONS

Regulatory Reference: 30 CFR Sec. 784.23; R645-301-512, -301-521, -301-542, -301-632, -301-731, -302-323.

Analysis:

Mining Facilities Maps

This analysis will pertain to the maps that are required under the Minimum Regulatory Requirements for identification of location purposes and their relationship to Bonding and Insurance Requirements. The maps described below reflect both affected area, and the mining facilities that were determined to be necessary.

Minimum Regulatory Requirements (under 30 CFR Sec.800; R645-301-800, et seq.)

“The operator shall identify the initial and successive areas or increments for bonding on the permit application map...”

As part of the permitting process for the development of the degasification wells (TASK ID#1642) the permittee submitted a revised Plate 1-4, DUGOUT CANYON MINE PERMIT AREA, which depicts the surface area and topography of all lands which will be potentially impacted by underground coal mining operations (i.e., subsidence, or impacts due to subsidence). Plate 1-4 also identifies the following facilities that are part of the Dugout Canyon Mine operation; the waste rock facility, the pipeline/leach field area, and the three degasification wells permitted via approval of TASK ID#1642. Thus, the location (T13S, R13E, Section 19 for G-3) is accurately depicted on the permit area map.

As part of the TASK ID#1642 submittal, the permittee submitted Figure 5-9, Contour Map for well G-3. This depicts the “affected area” of disturbance created by the development of well G-3.

Page 1-25 of Chapter 1, Legal and Financial Information of the Dugout Canyon mining and reclamation plan describes the acreages associated with the different areas of disturbance of the Dugout Canyon operation. This includes the Main facilities area (20.31 acres), the leach field/pipeline area (1.8 acres), and the waste rock storage facility (26.8 acres). The amendment which has been submitted contains a revised disturbed area acreage which includes the 0.97 acres associated with the disturbance associated with degasification well G-3.

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As part of the reclamation bond requirements, a reclamation agreement has been prepared and signed by both the Division and the Permittee. In order to update this reclamation agreement to include the additional 0.97 acres associated with degasification well G-3, the permittee must provide a **legal description of all areas of disturbance** associated with the Dugout Canyon Mine operation.

A legal description of degasification well G-3 is provided in the degasification well stand-alone document, Chapter 1, page 1-1, **TABLE 1-1**. Well G-3 is described as being located in a portion of the N1/2 SW1/4 NW1/4 Section 19 of T13S, R13E. **The permittee should revise page 1-25 of Chapter 1 on the Mining and Reclamation Plan to include a reference to Table 1-2, page 1-5, and Figure 5-9 (See stand alone document permitting G-1, G-2 and G-3, TASK ID #1642).** These items depict and describe the additional disturbed acreage associated with these degasification wells.

Page 1-24 of Chapter 1 of the Dugout Canyon Mine mining and reclamation plan contains a legal description of the Waste Rock Storage Facility. Same is described as existing in “portions of NE1/4 SW1/4 and SE1/4 of the NE1/4 of Section 18, T14S, R12E, SLBM, Utah.”

The Dugout Canyon Mine mining and reclamation plan **does not contain a specific legal description for the disturbances associated with the main mine facilities area, or the leach field/pipeline area**. In order for the Division to update the “Exhibit A” page of the reclamation agreement, (which is the page which contains the legal descriptions of all areas of mine disturbance for which the bond is held), the permittee needs to provide the two legal descriptions.

Findings:

Information provided in the application is not considered adequate to meet the minimum requirements of the Maps, Plans, and Cross Sections of Mining Operations section of the Operation Plan regulations. Prior to approval, the Permittee must act in accordance with the following:

R645-301-512.120, The information provided within the Dugout Canyon Mine mining and reclamation plan is inadequate in that it does not contain a clear legal description of the disturbances associated with the main facilities area or the pipe line/ leach field area. That information must be provided such that the Division can update **EXHIBIT “A”** of the reclamation agreement.

RECLAMATION PLAN

RECLAMATION PLAN

BONDING AND INSURANCE REQUIREMENTS

Regulatory Reference: 30 CFR Sec. 800; R645-301-800, et seq.

Analysis:

General

Minimum Regulatory Requirements

“The operator shall identify the initial and successive areas or increments for bonding on the permit application map and shall specify the bond amount to be provided for each area or increment. Independent increments shall be of sufficient size and configuration to provide for efficient reclamation operations should reclamation by the Division become necessary.”

The permittee submitted a revised Appendix 5-6, Reclamation bond Estimate as part of the degasification wells amendment TASK ID#1642, which was approved for incorporation on September 19, 2003. The reclamation bond estimate was adjusted upward in the amount of \$52,000 to provide for the reclamation of the 2.78 acres of disturbance associated with the three degasification wells G-1, G-2, and G-3. This amendment has been submitted to adjust the disturbed area acreage for well G-3 only.

An estimate of \$18,188 has been determined as necessary to reclaim well G-3 this includes roughening and re-seeding of the area. The reclamation cost estimates include plugging the well casing, backfilling of the mud pits, back filling and grading of the drill pad, spreading topsoil, roughening and seeding, and removal of the fence upon Division approval. An average dollar amount of \$18,800 per acre was determined to be adequate.

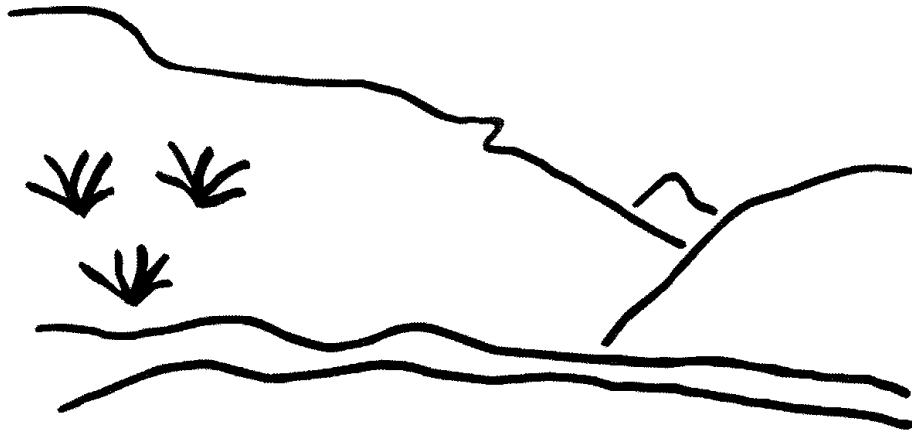
Determination of Bond Amount

See information above.

Findings:

The minimum regulatory requirements have been addressed.

State of Utah



Utah Oil Gas and Mining

Coal Regulatory Program

Dugout Canyon Mine
Disturbed Acreage Update
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INTRODUCTION

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The permittee submitted a revision to page 1-25 of the Chapter 1, Legal and Financial Information of the mining and reclamation plan for the Dugout Canyon Mine on October 24, 2003. The purpose of the revision is to update and include, as a part of the disturbed area acreage, the disturbance created by the drilling of the degasification well G-2. Degas well G-2, and wells G-3 and G-1 were approved/incorporated into the MRP by the Division on September 19, 2003. The 0.97 acres of additional disturbance associated with G-3 received an initial permitting review through TASK ID #1748. This revision involves the addition of 1.21 acres associated with degasification well G-2 to the disturbed area acreage for the mine.

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SUMMARY OF DEFICIENCIES

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SUMMARY OF DEFICIENCIES

GENERAL CONTENTS

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RIGHT OF ENTRY

Regulatory Reference: 30 CFR 778.15; R645-301-114

Analysis:

The permittee submitted revised information on October 24, 2003 to update the disturbed area acreage for the mine by adding the 1.21 acres that were disturbed by the development of degasification well G-2. Thus, the disturbed area of the mine has been increased by 1.21 acres to 51.1 acres, (previous disturbance was 49.9 acres). The revision/additional acreage is discussed on page 1-25 of Chapter 1, Legal and Financial Information, section **114 Right-of-Entry Information**, which starts on page 1-21.

The additional 1.21 acres is the amount which was permitted to be disturbed, as indicated in **TABLE 1-2, Disturbed Acres by Well Site**, section **114, Right-of Entry Information**, page 1-5 of the submittal to permit the three degasification wells, **TASK ID #1642**.

Findings:

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As part of the TASK ID#1642 submittal, the permittee submitted Figure 5-5, Contour Map for well G-2. This depicts the “affected area” of disturbance created by the development of well G-2.

Page 1-25 of Chapter 1, Legal and Financial Information of the Dugout Canyon mining and reclamation plan describes the acreages associated with the different areas of disturbance of the Dugout Canyon operation. This includes the Main facilities area (20.31 acres), the leach field/pipeline area (1.8 acres), and the waste rock storage facility (26.8 acres). TASK ID #1748 contains a revised disturbed area acreage which includes the 0.97 acres associated with the disturbance associated with degasification well G-3. TASK ID#1758, (for which this review

OPERATION PLAN

applies), contains revisions to include the 1.21 additional acreage of disturbance for degasification well G-2.

As part of the reclamation bond requirements, a reclamation agreement has been prepared and signed by both the Division and the Permittee. In order to update this reclamation agreement to include the additional 1.21 acres associated with degasification well G-2, the permittee must provide a legal description of all areas of disturbance associated with the Dugout Canyon Mine operation.

A legal description of degasification well G-2 is provided in the degasification well stand-alone document, Chapter 1, page 1-1, **TABLE 1-1, TASK ID #1642**. G-2 is described as being located in a portion of the N1/2 SW1/4 NE1/4 Section 24 of T13S, R13E.

Page 1-24 of Chapter 1 of the Dugout Canyon Mine mining and reclamation plan contains a legal description of the Waste Rock Storage Facility. Same is described as existing in "portions of NE1/4 SW1/4 and SE1/4 of the NE1/4 of Section 18, T14S, R12E, SLBM, Utah

The Dugout Canyon Mine mining and reclamation plan **does not contain a specific legal description for the disturbances associated with the main Mine facilities area, or the leach field/pipeline area**. In order for the Division to update the "Exhibit A" page of the reclamation agreement (which is the page which contains the legal descriptions of all areas of mine disturbance for which the bond is held), the permittee needs to provide the two legal descriptions mentioned.

Findings:

Information provided in the application is not considered adequate to meet the minimum requirements of the Maps, Plans, and Cross Sections of Mining Operations section of the Operation Plan regulations. Prior to approval, the Permittee must act in accordance with the following:

R645-301-512.120, The information provided within the Dugout Canyon Mine mining and reclamation plan is inadequate in that it does not contain a clear legal description of the disturbances associated with the main facilities area or the pipe line/ leach field area. That information must be provided such that the Division can update **EXHIBIT "A"** of the reclamation agreement.

RECLAMATION PLAN

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Analysis:

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The permittee submitted a revised Appendix 5-6, Reclamation bond Estimate as part of the degasification wells amendment TASK ID#1642, which was approved for incorporation on September 19, 2003. The reclamation bond estimate was adjusted upward in the amount of \$52,000 to provide for the reclamation of the 2.78 acres of disturbance associated with the three degasification wells G-1, G-2, and G-3. This amendment has been submitted to adjust the disturbed area acreage for well G-2 only.

An estimate of \$25,301 has been determined as necessary to reclaim well G-2. This includes plugging the well, back filling/grading (including backfilling of mud pits), the spreading of topsoil, and roughening and re-seeding of the pad area and the 370 foot access road. The removal of the perimeter fence has also been provided.

Determination of Bond Amount

See information above.

Findings:

The minimum regulatory requirements have been addressed.

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RECLAMATION PLAN
